RESOLUTION 87-36

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency staff has reviewed a loan application from Lowy Development Corp. under the Rental Housing Mortgage Loan Program for The Parkside and has recommended to the Lending /Insurance Committee of the Board of Directors such loan be approved; and

WHEREAS, the Lending/Insurance Committee has reviewed that loan application and concurs in the recommendation of the staff; and

WHEREAS, the Board of Directors has approved an initial loan commitment Resolution 87-03 on January 8, 1987 for such project; and

WHEREAS, based upon the recommendation of staff and the Lending/Insurance Committee, the Board of Directors has determined that a final loan commitment be made for such project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Housing Finance Agency:

(1) The Executive Director, or in the Executive Director's absence, the Director of Programs of the California Housing Finance Agency is hereby authorized to transmit a final commitment letter, subject to the recommended terms and conditions set forth in the attached report of CHFA staff dated June 23, 1987 in relation to a multifamily housing development described as follows:

PROJECT NUMBER	DEV. NAME/ LOCALITY	# UNITS	MORTGAGE AMOUNT
86-16-S	The Parkside Los Angeles	200	$17,000,000

(2) The final commitment letter shall specifically state that the commitment is subject to the Agency's ability to sell its bonds in an amount sufficient to fund the commitment.

(3) The Executive Director, or in the Executive Director's absence, the Director of Programs of the California Housing Finance Agency has the authority to modify the mortgage amount so stated in this resolution by an amount not to exceed seven percent

(7%) without further Board approval. All other changes, including changes in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval.

I hereby certify that this is a true and correct copy of Resolution 87-36 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on July 9, 1987 at Sacramento, California.

ATTEST: ______________________
Secretary

State of California

M E M O R A N D U M

To : Lending/Insurance Committee Date : June 23, 1987

From : A.M. Smith
CALIFORNIA HOUSING FINANCE AGENCY

Subject : The Parkside
CHFA 86 16 S

ACTION REQUESTED

The purpose of this memorandum is to recommend a Final Loan Commitment in the amount of $17,000,000 to fund the development of a 200 unit apartment complex with ancillary commercial space in the new South Park neighborhood of the City of Los Angeles. CHFA's Board of Directors approved an Initial Commitment in the amount of $17,100,000 on January 8, 1987. The developer has satisfied the terms of the Initial Commitment and has secured a construction loan commitment from First Interstate Mortgage Company in the amount of $17,000,000.

MARKET STUDY

Ann R. Jarvis & Company, Inc. prepared an independent Market Analysis and Project Feasibility Study dated March 6, 1987. The study addressed the neighborhood, pricing, project potential, absorption, rent escalation, marketing area, employment base and project marketing. The conclusions reached by the Market Analysis are sustained and supported by the MAI Appraisal.

MAI APPRAISAL

An independent market study and MAI Appraisal dated June 22, 1987, has been completed by Ted L. Yates, MAI, ASA. The fair market value as determined is $25,000,000, which results in a loan to value ratio of 68%. The appraisal is summarized on page 5 of the Application for Mortgage Financing (CHFA 3).

FINANCIAL REQUIREMENTS

Under program guidelines a minimum of 10% cash equity is required. This requirement may be partially offset when a local government or other third party provides a grant or subordinated, secondary financing for the development. However, regardless of the level of third party contribution, the developer is required to provide a minimum 5% (five) cash equity contribution. In this instance, an investment of $2,589,000 or 9.72% is committed to the development. The minimum equity contribution the sponsor shall be permitted to make is in direct proportion to the ratio of the cost allocated to the commercial space to the total development cost. The sponsors cash equity will never be less than the amount attributable to the cost of the commercial space. In addition, the sponsor will be required to post a Bond Financing Fee in the amount of not less than $595,000, which is three and one half (3 1/2%) percent of the loan amount.

A special condition to the Initial Commitment precluded the use of tax exempt funds with respect to the commercial space. It is anticipated, the Final Commitment will be identically conditioned.

When the Permanent Loan is funded by the Agency, the mortgagor will be required to provide CHFA either in cash or cash equivalent:

Projected Operating Expense Escrow	$ 826,870
Rent-Up Period Escrow	769,226
Operating Expense Escrow	227,690

The program requirements mandate a rent-up escrow in a minimum amount equivalent to 25% of gross income. In this instance, an analysis was completed and it was determined that an additional $200,000 escrow would be required to accommodate the projected 12 month rent-up period.

Concurrent with the closing of the construction loan, the construction lender will require the sponsor to provide a contingency fund in an amount equal to 5% of the construction contract.

SECONDARY FINANCING

The Community Redevelopment Agency (CRA) of the City of Los Angeles has committed to provide secondary financing in the amount of $4,243,000.

Negotiations between the sponsor and CRA have been finalized and the Disposition and Development Agreement has been presented to and approved by the City Council. The repayment of the second trust deed will be subordinated to and coterminous with the CHFA financing. The loan will bear interest a 0% until the commencement of the fifth (5) year and simple interest thereafter at the rate of 8 % and be payable from residual receipts. CRA will be required to secure authorization from the Agency prior to commencing an action in foreclosure.

A minimum CHFA program requirement for developments financed by the Agency with tax exempt bond proceeds after the implementation of the 1986 Tax Reform Act is that 20 % percent of the units be available to very low income (30% of 50% per cent of median income) households. The executed Disposition and Development Agreement stipulates that 15% of the units be available for low income (30 % of 80% of median income). In this instance, the income and rental restrictions mandated by CHFA are more restrictive than those imposed by CRA.

HUD recently published a NOFA for Housing Development Grants (HDG) for the fiscal year. CRA has elected to submit the proposed development in the competition. Should the development be selected, the very low income units will be increased from 20% (40) to 30% (60). CRA has indicated a willingness to increase their financial participation to accommodate the additional loss of rental income.

The Agency and CRA have established a valuable and viable working relationship over the past six years. CRA has provided gap financing for 19 developments financed by the Agency. Currently, 13 of the 19 developments including 3 financed with a portion of the proceeds of the 1985 Series A, Housing Revenue Bonds (Insured) are completed and occupied. It is anticipated the balance of the developments will be completed and achieve occupancy prior to October 1988.

ANCILLARY COMMERCIAL

The sponsor is currently negotiating with several prospective tenants for the commercial space. Although the sponsor is in possession of several Letters of Intent to Lease, as of this date, there are no executed leases. All leases will be subordinated to the Agency financing and will be triple net (NNN). Additionally, the leases will stipulate the tenants must pay a pro rata share of the common area expenses.